EXHIBIT C

Westwind Children's Services Renewal Budget Narrative

With the diligent attention to resolving the issue of a deficit budget, and in spite of a financial "perfect storm," Westwind Children's Services (WCS), dba Westwind Preparatory Academy (WPA) and Westwind at Anthem (WAA), has significantly increased its financial sustainability going forward, as demonstrated through the reverse of the negative cash flow for the 2011-2012 fiscal year and thereafter. This is documented on the attached budget sheets. Several factors contributed to the organization's recent financial crisis, including the following: increases in expenditures, such as Arizona State Retirement, classroom supplies, utilities, transportation, purchased services and insurance; a reduction in state aid and federal grants; the inability to restructure facilities financing to provide the facility to meet the school's needs; and loss of enrollment.

This past year's audit was bleak at best; but even prior to the release of the audit, the management and board of the organization were taking steps to reduce expenditures and consider other actions to resolve the current budget crisis and to avoid one in the future. The superintendent met more frequently with the board during this time, to keep them apprised of the situation and to make decisions as expeditiously as possible in response to the financial issues that arose. As a result, over $200,000 was cut from the expenditure portion of the budget between September 2011 and January 2012. Cuts to the expenditure budget were made through a reduction in force; the use of an employee leasing company for some employees; cuts in purchasing of instructional and non-instructional supplies; charging back to employees a portion of insurance benefits; reducing extracurricular activities; and renegotiating amounts owed to some vendors. WCS has also addressed the delinquent payroll taxes owed, as mentioned in the most recent audit. The IRS vacated one quarter's penalties because of the school's excellent record of filing and paying on time until that time. The organization has begun to make payments toward the taxes owed. The audit stated that the taxes would be repaid at the rate of $10,000 per month. However, after further discussions with the IRS and an outside CPA who specializes in taxes, it was determined that the payback commitment would be $5000 per month; and the organization will accelerate the payback schedule when additional funds are available. The paperwork for the repayment plan has not been received from the IRS to date; and therefore could not be included in this renewal packet. However, evidence that the payback has already begun is included in the packet.

Another factor that has contributed to the current financial picture is WPA's facilities financing. WCS was a part of the first bond pool of charter schools who received facilities financing. The inadequate structure of this particular bond pool is well documented, along with the challenges it has presented for the schools in the pool. When WPA's enrollment was at a level that additional facilities were needed, it was impossible to either build more on the existing site or refinance the current loan to include additional facilities. After four years of trying to resolve this situation, this past Fall, the board determined that the only way the school can now get out from under the existing financing is to sell the current site. The balance due is approximately $2.1 million. In May 2008, the site appraised for $6.5 million; and in the fall of 2011, Grubb & Ellis's market analysis put the current best use value of the site between $4.8 and $5.2 million. WCS has listed the site at $4.3, and a copy of the brochure is included in this packet. Two versions of the Renewal Budget Plan are included, one if WPA remains at the current site and one if WPA moves to a new site. Discussions have also occurred with potential investors. However, those individuals stated that, while they were interested in partnering with WCS, they would not consider it until a renewal decision was made by the ASBCS. Communication from one such potential investor is attached.

In addition to addressing the negative cash flow, WCS's board reviewed the Performance Management Plan and the costs involved relative to its implementation. The Renewal Budget Plan is sufficient to cover the action steps included in the plan. Over the past three years, the WCS board composition has also been changed to ensure members contribute crucial areas of expertise. Currently, the board consists of a member of the senior management of the organization, an accountant, an attorney, a commercial real estate broker, a teacher who was formerly on staff, an engineer and a general member of the community. The expertise that each of these individuals brings has had a significant positive effect on the organization, particularly as it has gone through this renewal process and worked to improve both academically and fiscally. The PMP and the strength of the board serve as the foundation for the secession plan of the organization.